

Township of Jefferson
Cass County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Jefferson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Jefferson, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Jefferson, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

September 24, 2008

BASIC FINANCIAL STATEMENTS

Township of Jefferson
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 612,380
Receivables, net	112,907
Prepaid expenses	<u>13,883</u>
Total current assets	<u>739,170</u>
Noncurrent assets:	
Receivables, net	509,939
Capital assets not being depreciated - land	31,007
Capital assets, net of accumulated depreciation	<u>168,098</u>
Total noncurrent assets	<u>709,044</u>
Total assets	<u>1,448,214</u>
LIABILITIES	
Current liabilities:	
Accounts payable	41,781
Current maturities of long-term debt	<u>67,253</u>
Total current liabilities	109,034
Noncurrent liabilities - long-term debt	<u>574,504</u>
Total liabilities	<u>683,538</u>
NET ASSETS	
Invested in capital assets	199,105
Restricted for:	
Public safety	4,672
Public works	265,708
Health and welfare	30,943
Debt service	10,441
Unrestricted	<u>253,807</u>
Total net assets	<u>\$ 764,676</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities:				
Legislative	\$ 10,350	\$ -	\$ -	\$ (10,350)
General government	174,812	29,506	-	(145,306)
Public safety	93,276	48,274	-	(45,002)
Public works	319,325	563,120	4,026	247,821
Health and welfare	22,211	-	-	(22,211)
Community and economic development	13,576	6,118	-	(7,458)
Interest on long-term debt	20,213	31,087	-	10,874
Total governmental activities	<u>\$ 653,763</u>	<u>\$ 678,105</u>	<u>\$ 4,026</u>	<u>28,368</u>
General revenues:				
Taxes				107,243
Franchise fees				9,380
State grants				166,822
Investment income				23,967
Other				<u>5,255</u>
Total general revenues				<u>312,667</u>
Change in net assets				341,035
Net assets - beginning				<u>423,641</u>
Net assets - ending				<u>\$ 764,676</u>

See notes to financial statements

Township of Jefferson
BALANCE SHEET - governmental funds
June 30, 2008

	<u>General</u>	<u>Wilson Channel Dredging Capital Projects</u>	<u>Wilson Channel Dredging Debt</u>
ASSETS			
Cash	\$ 253,962	\$ 265,708	\$ 31,745
Receivables, net	32,415	-	522,079
Prepaid expenses	13,883	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 300,260</u>	<u>\$ 265,708</u>	<u>\$ 553,824</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 41,781	\$ -	\$ -
Deferred revenue	-	-	522,079
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>41,781</u>	<u>-</u>	<u>522,079</u>
Fund balances:			
Unreserved, undesignated	253,807	265,708	31,745
Reserved for building inspections	4,672	-	-
Unreserved, reported in nonmajor:			
Special revenue fund	-	-	-
Debt service fund	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>258,479</u>	<u>265,708</u>	<u>31,745</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 300,260</u>	<u>\$ 265,708</u>	<u>\$ 553,824</u>

Fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Interest related to special assessments receivable is not available to pay for the current period expenditures and, therefore, is not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Nonmajor governmental funds</i>	<i>Totals</i>
\$ 60,965	\$ 612,380
50,300	604,794
-	13,883
<u>\$ 111,265</u>	<u>\$ 1,231,057</u>

\$ -	\$ 41,781
50,300	572,379
<u>50,300</u>	<u>614,160</u>

-	551,260
-	4,672
30,943	30,943
<u>30,022</u>	<u>30,022</u>
<u>60,965</u>	<u>616,897</u>
<u>\$ 111,265</u>	<u>\$ 1,231,057</u>

\$ 616,897

199,105

18,052

572,379

(641,757)

\$ 764,676

See notes to financial statements

Township of Jefferson

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2008

	<u>General</u>	<u>Wilson Channel Dredging Capital Projects</u>	<u>Wilson Channel Dredging Debt</u>
REVENUES			
Taxes	\$ 91,915	\$ -	\$ -
Licenses and permits	57,654	-	-
State grants	170,848	-	-
Charges for services	10,258	-	-
Interest and rentals	10,329	12,197	12,759
Other	9,005	-	37,291
	<u>350,009</u>	<u>12,197</u>	<u>50,050</u>
EXPENDITURES			
Legislative	10,350	-	-
General government	163,070	-	-
Public safety	93,276	-	-
Public works	41,198	273,529	-
Health and welfare	-	-	-
Community and economic development	13,576	-	-
Capital outlay	3,733	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	18,305
	<u>325,203</u>	<u>273,529</u>	<u>18,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>24,806</u>	<u>(261,332)</u>	<u>31,745</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	-	560,000	-
Transfers in	32,960	-	-
Transfers out	-	(32,960)	-
	<u>32,960</u>	<u>527,040</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	57,766	265,708	31,745
FUND BALANCES - BEGINNING	<u>200,713</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 258,479</u>	<u>\$ 265,708</u>	<u>\$ 31,745</u>

<i>Nonmajor governmental funds</i>	<i>Totals</i>
\$ 39,384	\$ 131,299
-	57,654
-	170,848
-	10,258
3,027	38,312
25,150	71,446
<u>67,561</u>	<u>479,817</u>
-	10,350
-	163,070
-	93,276
-	314,727
22,211	22,211
-	13,576
-	3,733
27,252	27,252
1,908	20,213
<u>51,371</u>	<u>668,408</u>
<u>16,190</u>	<u>(188,591)</u>
-	560,000
-	32,960
-	(32,960)
<u>-</u>	<u>560,000</u>
16,190	371,409
<u>44,775</u>	<u>245,488</u>
<u>\$ 60,965</u>	<u>\$ 616,897</u>

See notes to financial statements

Township of Jefferson
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**
Year ended June 30, 2008

Net change in fund balances - total governmental funds	\$	371,409
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:		
Capital assets:		
Assets acquired		2,570
Provision for depreciation		(15,177)
Long-term debt:		
Principal payments		27,252
Bond proceeds		(560,000)
Changes in other assets/liabilities:		
Net increase in accrued interest receivable		18,052
Net increase in deferred revenue		<u>496,929</u>
Change in net assets of <i>governmental activities</i>	\$	<u>341,035</u>

See notes to financial statements

Township of Jefferson

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

June 30, 2008

ASSETS

Cash	\$ <u>2,112</u>
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LIABILITIES

Due to others	\$ <u>2,112</u>
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See notes to financial statements

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Jefferson, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Wilson Channel Dredging Capital Projects Fund accounts for the issuance debt and dredging costs of Wilson Channel on Diamond Lake.

The Wilson Channel Dredging Debt Fund accounts for the payment of debt related to the dredging of Wilson Channel on Diamond Lake. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., major road improvements), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 30, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township which are owned by the County of Cass.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 7 years
Roads	20 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1 and, accordingly, the total levy is recognized as revenue in the current year.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no budget variations at the function level.

NOTE 3 - CASH:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 612,380	\$ 2,112	\$ 614,492

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. At June 30, 2008, \$568,914 of the Township's bank balances of \$618,139 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 2,200	\$ -	\$ 30,215	\$ 32,415
Wilson Channel Dredging Debt	-	522,079	-	522,079
Diamond Lake Sewer Debt	-	50,300	-	50,300
Totals	\$ 2,200	\$ 572,379	\$ 30,215	\$ 604,794
Noncurrent portion	\$ -	\$ 509,939	\$ -	\$ 509,939

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,007	\$ -	\$ -	\$ 31,007
Capital assets being depreciated:				
Buildings and improvements	285,908	-	-	285,908
Equipment	45,316	2,570	-	47,886
Infrastructure	<u>72,768</u>	<u>-</u>	<u>-</u>	<u>72,768</u>
Subtotal	<u>403,992</u>	<u>2,570</u>	<u>-</u>	<u>406,562</u>
Less accumulated depreciation for:				
Buildings and improvements	(184,744)	(8,045)	-	(192,789)
Equipment	(29,234)	(2,534)	-	(31,768)
Infrastructure	<u>(9,309)</u>	<u>(4,598)</u>	<u>-</u>	<u>(13,907)</u>
Subtotal	<u>(223,287)</u>	<u>(15,177)</u>	<u>-</u>	<u>(238,464)</u>
Total capital assets being depreciated, net	<u>180,705</u>	<u>(12,607)</u>	<u>-</u>	<u>168,098</u>
Governmental activities capital assets, net	<u>\$ 211,712</u>	<u>\$ (12,607)</u>	<u>\$ -</u>	<u>\$ 199,105</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 10,579
Public works	<u>4,598</u>
Total	<u>\$ 15,177</u>

NOTE 6 - DEFERRED REVENUE:

As of June 30, 2008, deferred revenue consisted of unavailable special assessments in the Diamond Lake Sewer Debt Fund and the Wilson Channel Dredging Debt Fund.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2008, is comprised of the following individual issue:

Contracts payable:

\$520,275 1995 contract payable, due to Cass County in annual installments of \$26,757 to \$27,253, plus interest at 2% through October 2010. \$ 81,757

Bonds payable:

\$560,000 2007 dredging special assessment limited tax general obligation bond, due in annual installments of \$45,000 to \$35,000, plus interest at 6% to 4.2% through March 2022. 560,000

Total \$ 641,757

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contract payable - 1995	\$ 109,009	\$ -	\$ 27,252	\$ 81,757	\$ 27,253
Bonds payable - 2007	<u>-</u>	<u>560,000</u>	<u>-</u>	<u>560,000</u>	<u>40,000</u>
Total	<u>\$ 109,009</u>	<u>\$ 560,000</u>	<u>\$ 27,252</u>	<u>\$ 641,757</u>	<u>\$ 67,253</u>

Debt service requirements at June 30, 2008, were as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 67,253	\$ 28,821
2010	67,253	25,876
2011	67,251	22,930
2012	45,000	20,257
2013	40,000	17,895
2014 - 2018	200,000	60,415
2019 - 2022	<u>155,000</u>	<u>16,900</u>
Totals	<u>\$ 641,757</u>	<u>\$ 193,094</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended June 30, 2008, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ 32,960	Wilson Channel Dredging Capital Projects	\$ 32,960

The transfer to the General Fund represents project administration costs incurred and paid for by the General Fund in the previous fiscal year.

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS:

a) *Edwardsburg Fire Department:* The Townships of Jefferson, Ontwa, and Milton have created the Edwardsburg Fire Department, which has a board composed of two individuals appointed by each Township board and one member-at-large appointed by the Edwardsburg Fire Board, who is a resident of one of the Townships. The Township appropriated \$48,116 to Edwardsburg Fire Department in 2008.

b) *Central Cass County Ambulance Board:* The Townships of Jefferson, Calvin, LaGrange, Penn, and the Villages of Cassopolis and Vandalia have entered into an agreement with the Life Care Ambulance Service for ambulance services. The ambulance board is made up of various members of the participating municipalities. The Township appropriated \$22,211 for operations in 2008.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2008, is as follows:

Revenues	\$ 48,274
Expenses	<u>41,509</u>
Excess of revenues over expenses	<u>\$ 6,765</u>
Cummulative excess, included in fund balance reservation of General Fund	<u>\$ 4,672</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Township entered into a contract for the dredged material retention site resulting from the Wilson Channel dredging project with Dean Hass, Township Trustee. The amount paid for the year ended June 30, 2008, was \$25,000.

NOTE 13 - COMMITMENT:

During 2008, the Township entered into a contract with Restoration Dredging for the dredging of Wilson Channel in the amount of \$470,057. At June 30, 2008, the Township has incurred costs of \$211,714. The cost of this project is being funded by special assessments levied against residents along Wilson Channel on Diamond Lake.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Jefferson
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 88,000	\$ 88,000	\$ 91,915	\$ 3,915
Licenses and permits	53,000	53,000	57,654	4,654
State grants	165,000	165,000	170,848	5,848
Charges for services	5,000	5,000	10,258	5,258
Interest and rentals	17,500	17,500	10,329	(7,171)
Other	500	500	9,005	8,505
Total revenues	<u>329,000</u>	<u>329,000</u>	<u>350,009</u>	<u>21,009</u>
EXPENDITURES				
Legislative	<u>10,350</u>	<u>10,350</u>	<u>10,350</u>	<u>-</u>
General government:				
Supervisor	18,500	18,500	16,472	2,028
Election	10,000	10,000	8,858	1,142
Assessor	18,000	18,000	15,237	2,763
Clerk	22,000	22,000	20,230	1,770
Board of review	2,500	2,500	1,245	1,255
Treasurer	27,000	27,000	26,942	58
Building and grounds	25,000	23,000	18,280	4,720
Cemetery	3,500	3,500	3,425	75
Other	58,750	58,750	52,381	6,369
Total general government	<u>185,250</u>	<u>183,250</u>	<u>163,070</u>	<u>20,180</u>
Public safety:				
Fire protection	45,000	47,000	48,116	(1,116)
Ordinance enforcement	-	-	5,550	(5,550)
Building inspections	55,000	55,000	39,610	15,390
Total public safety	<u>100,000</u>	<u>102,000</u>	<u>93,276</u>	<u>8,724</u>
Public works:				
Highways and streets	65,000	65,000	28,303	36,697
Weed control	-	-	764	(764)
Waste disposal	15,000	15,000	12,131	2,869
Total public works	<u>80,000</u>	<u>80,000</u>	<u>41,198</u>	<u>38,802</u>

Township of Jefferson

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - zoning and planning	\$ 21,000	\$ 21,000	\$ 13,576	\$ 7,424
Capital outlay	5,000	5,000	3,733	1,267
Total expenditures	401,600	401,600	325,203	76,397
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(72,600)</u>	<u>(72,600)</u>	<u>24,806</u>	<u>97,406</u>
OTHER FINANCING SOURCES				
Transfers in from Wilson Channel Dredging Capital Projects	-	-	32,960	32,960
NET CHANGE IN FUND BALANCES	(72,600)	(72,600)	57,766	130,366
FUND BALANCES - BEGINNING	200,713	200,713	200,713	-
FUND BALANCES - ENDING	<u>\$ 128,113</u>	<u>\$ 128,113</u>	<u>\$ 258,479</u>	<u>\$ 130,366</u>

SUPPLEMENTARY INFORMATION

Township of Jefferson
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2008

	<u>Ambulance</u>	<u>Diamond Lake Sewer Debt</u>	<u>Total other governmental funds</u>
ASSETS			
Cash	\$ 30,943	\$ 30,022	\$ 60,965
Receivables	<u>-</u>	<u>50,300</u>	<u>50,300</u>
Total assets	<u>\$ 30,943</u>	<u>\$ 80,322</u>	<u>\$ 111,265</u>
LIABILITIES AND FUND BALANCES			
Liabilities - deferred revenue	\$ -	\$ 50,300	\$ 50,300
Fund balances - unreserved, undesignated	<u>30,943</u>	<u>30,022</u>	<u>60,965</u>
Total liabilities and fund balances	<u>\$ 30,943</u>	<u>\$ 80,322</u>	<u>\$ 111,265</u>

Township of Jefferson

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *nonmajor governmental funds***

Year ended June 30, 2008

	<u>Ambulance</u>	<u>Diamond Lake Sewer Debt</u>	<u>Total other governmental funds</u>
REVENUES			
Taxes	\$ 39,384	\$ -	\$ 39,384
Interest and rentals	-	3,027	3,027
Other - special assessments	-	25,150	25,150
	<u>39,384</u>	<u>28,177</u>	<u>67,561</u>
Total revenues			
EXPENDITURES			
Health and welfare	22,211	-	22,211
Debt service:			
Principal	-	27,252	27,252
Interest	-	1,908	1,908
	<u>22,211</u>	<u>29,160</u>	<u>51,371</u>
Total expenditures			
NET CHANGE IN FUND BALANCES	17,173	(983)	16,190
FUND BALANCES - BEGINNING	<u>13,770</u>	<u>31,005</u>	<u>44,775</u>
FUND BALANCES - ENDING	<u>\$ 30,943</u>	<u>\$ 30,022</u>	<u>\$ 60,965</u>

September 24, 2008

**Members of the Township Board
Jefferson Township, Michigan**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 7, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Jefferson Township are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Jefferson Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

- Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Jefferson Township's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of Jefferson Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Jefferson Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Reconciled cash balances were not reconciled to their respective general ledger accounts, per the clerk's records, in a timely manner.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. This is a recurring comment.

This communication is intended solely for the information and use of the Township Board of Jefferson Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.